

Message Text

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13

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 DRC-01 /140 W

----- 098838

R 310730Z MAY 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 7074

INFO AMEMBASSY SINGAPORE

C O N F I D E N T I A L KUALA LUMPUR 2535

EO 11652: GDS

TAGS: ENRG, MY

SUBJ: OIL PRICING DISCORD IN MALAYSIA

1. SUMMARY: IMPASSE THAT SEEMS TO BE BREWING BETWEEN GOM AND PETROLEUM COMPANIES OVER PRODUCT PRICING COULD LEAD TO DISRUPTION HAVING POTENTIALLY SERIOUS IMPLICATIONS. END SUMMARY

2. COMPANIES HAVE NOT REQUESTED EMBASSY ASSISTANCE, AND TO DATE HAVE ONLY INFORMALLY EXPRESSED THEIR CONCERN TO US. THEY TELL US THAT SERIOUS DISCORD HAS DEVELOPED BETWEEN GOM AND DISTRIBUTING COMPANIES (PRINCIPALLY ESSO, SHELL AND MOBILGAS) OVER PRICING OF REFINED PRODUCTS. PRICE INCREASES FOR PRODUCTS WERE ANNOUNCED MAY NINE BY MINISTER PRIMARY INDUSTRIES TO REFLECT INCREASED CRUDE COSTS SINCE OCTOBER. COMPANIES CONSIDER INCREASES ALLOWED AS INADEQUATE AND FAR SHORT OF COVERING ADVANCED COSTS.

3. COMPANIES HAVE VIGOROUSLY PROTESTED AGAINST NEW PRICE LISTS AND ARE URGING RECONSIDERATION BY GOM. AS GOVERNMENT SO FAR NOT RPT NOT CONVINCED THAT MAY NINE
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ANNOUNCEMENT WRONG DECISION, AN IMPASSE MAY BE REACHED.

ALTHOUGH LOCAL REPS OF COMPANIES ARE COUNSELING CAUTIOUS APPROACH, THEY INFORM US THAT THEIR HEADQUARTER'S OFFICES ARE PRESSING FOR MORE AGGRESSIVE RESPONSE -- PRESUMABLY CUTTING BACK ON DISTRIBUTION.

4. SENIOR OFFICIAL MINPRIMARY INDUSTRIES LAST NIGHT CONFIRMED TO DCM THAT TROUBLE AHEAD, ESPECIALLY IF COMPANIES PURSUE HINTS THEY MIGHT CURTAIL SUPPLIES "TO MINIMIZE LOSSES." ALTHOUGH MALAYSIAN OFFICIAL FORESAW LIKELIHOOD OF SUBSTANTIAL INCREASES IN PRICES TO PUBLIC AT SOME FUTURE DATE, HE CLEARLY CYNICAL ABOUT OIL COMPANIES' ALLEGED REFUSAL TO SHIFT LARGE PROFITS FROM ONE ACCOUNT TO COVER LOSSES ELSEWHERE AND SUGGESTED GOM COULD RESPOND TO CURTAILMENT OF SUPPLIES PERHAPS BY RE-CONSIDERATION OF MARKETING OR EXPLORATION RIGHTS.

5. AS WE DO NOT BELIEVE GOVT YET IN FAVORABLE POSITION TO YIELD TO COMPANY REQUESTS, AN ANSWER TO IMPASSE NOT IN SIGHT.
UNDERHILL

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
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Concepts: PETROLEUM INDUSTRY, PETROLEUM PRODUCTS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 31 MAY 1974
Decaption Date: 01 JAN 1960
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Disposition Approved on Date:
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